



**Automatic enrolment:
The payroll perspective**
Dr Iain Clacher
September 2015

Foreword by Will Lovegrove

Automatic enrolment has been one of the most talked about and most surveyed topics within the payroll software and pensions industry in recent years. Perhaps only the introduction of RTI (for the payroll software industry) and Pension Freedoms (for the pensions industry) have received comparable attention.

Much of the attention of industry experts and analysts has been directed towards how the normal business of the pensions industry will adapt to AE: Are 8% total contributions enough to live on in retirement? How many employees will opt-out? Is there enough capacity and choice in the pension provider market? What service can IFAs provide to low-budget SMEs? What advice will actually be needed in a "restricted choice" AE pensions market?

This survey and the accompanying report address none of these questions.

Instead, this work chooses to focus on the role of Payroll Bureaus. Why? Because it is Bureaus, Bookkeepers & Accountants who will carry the heaviest burden in the coming years. This group of advisers has the dual-burden of helping their employer clients in the run up to staging and then the ongoing administration of the employer's scheme. With that administrative responsibility, comes the unnecessarily manual task of moving highly sensitive data between payroll software and the employer's pension provider in perpetuity.

Automatic enrolment is a metaphorical bull in a Payroll administrator's previously well-ordered china shop. If it does nothing else, by 2018 automatic enrolment will have transformed our country's Payroll administrators into "Payroll & Pension Administrators". Job titles will change because these two roles are now joined forever.



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systemsync supported this work to quantify the demand and the value of pension data automation services in the UK Payroll market

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Iain is currently an Associate Professor in Accounting and Finance at Leeds University Business School; he is the head of pension research at the Institute of Banking and Investment and the joint director of the Centre for Advanced Studies in Finance.

His main research interests focus on pensions and retirement saving decisions, pension investment and infrastructure, trustee governance, and sustainable pension system design. In addition, Iain's other research covers a wide number of areas including financial accounting, governance, auditing, critical accounting, ethics, auctions, and market efficiency. He has published papers in internationally ranked journals covering issues including; institutional economics, accounting, ethics, pension management, fund performance, and sovereign wealth.

He is a regular speaker at a wide range of national and international forums, his work has been widely reported in the press, and he is a regular commentator in the media on a wide range of economic and business issues.

As well as his academic activities, Iain has a number of external appointments, including involvement in a number of working parties for the UK Actuarial Profession, and he is currently the co-chair of the Profession's cross-practice working party on behavioural economics for actuaries. Iain also works as a consultant and has worked with a range of organisations including; FTSE 100 Companies, The CERN Pension Fund, The City of London Corporation, The Work Foundation, and The National Association of Pension Funds.



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Executive Summary

As the automatic enrolment process is becoming a reality for 1.3m SMEs in the UK, it is timely to understand just what sort of impact this will have on small businesses. The policy aims of automatic enrolment are good and should improve pension saving for millions in the UK, and for many it will be their first time saving for their retirement. However, the policy was designed without any real thought to the practicalities of implementation and the responsibility was placed on employers to enrol workers. The process to do this has been complex and difficult. While previous research has shown the burden of automatic enrolment to be significant, for those firms that are about to go through the process they have very different structures and rely on payroll bureaus and accountants.

This report, therefore, tries to understand the payroll perspective, as it is payroll bureaus who have been and will be dealing with the 1.3m firms that are about to engage with pensions.

Our headline results are as follows:

The time needed to help SMEs to stage is considerably smaller than for larger employers. The CEBR estimated this to be up to 103 days,¹ while our results suggest that this process now only takes 20 days on average. This significant improvement is due to payroll bureaus being pushed into the auto enrolment environment and they have amassed significant specialisation in pre-staging processes and knowledge designed for mass market and are responding to the auto enrolment challenge practically using solid processes and technology.

Our analysis of post-staging tasks shows that the time taken to undertake ongoing administration has remained the same, with the average time taken remaining 3 to 4 days per month. This is in part due to a lack of uniformity in the pensions industry, resulting in the need to move to inefficient manual processing. Consequently, business process efficiencies are not occurring as there is a lack of automation between different payroll systems and pension providers and there are often non-standard data requirements, all of which is hampering the process. However, this view of 'on-going' tasks over-estimates the time taken to do ongoing administration. Many of these tasks are ad hoc and non-recurring, the actual time taken to do

¹ Source: Finding your way out of the auto enrolment maze: An analysis of the employer costs of pensions auto enrolment, CEBR, September 2013.

ongoing tasks is, therefore, only 4.5 hours, as the only task that has to be undertaken every month is the data transfer to pension providers.

One consequence of this is that payroll costs have, on average, increased by 30%. There is, however, a demand for greater automation, as the move back to manual has not only increased costs, but it has also increased risks, as manual data entry across a large volume of firms with different pension provider data specifications is likely to lead to error and hamper the success of automatic enrolment.

Despite these risks and costs, automatic enrolment is becoming an efficient process and this is being made possible by the efforts of the payroll industry. The industry may have been forced to engage with this process but payroll has made automatic enrolment work as part of a broader commercial offering and SMEs are benefiting from the industry's specialization and expertise.

Introduction

Automatic enrolment remains one of the most significant changes to UK pensions and savings of the past 25 years. While the decline of defined benefit pensions affected a large number of people and created a savings gap, automatic enrolment is not about filling that gap. Automatic enrolment is about fostering a culture of retirement saving for the majority of the population, many of whom have never saved for a pension before.

Despite the clear benefits of this policy, the design and implementation of the policy has been anything but smooth. The compelling of employers to enrol workers into pensions has been problematic on any number of fronts; the complexity of the process, the lack of clarity around responsibilities and a lack of engagement by any number of market actors, have all made an already difficult process ever more challenging. Moreover, as we approach 2016, when over 1.3 million businesses have to go through the process, there remain legitimate concerns regarding the capacity of the market to cope, and the impending capacity crunch is increasingly discussed with ever more issues giving rise to additional concerns.

In looking at many of the numbers that are used to illustrate the costs to UK businesses, both in terms of time and money, they do not feel relevant for many of the businesses that are going through and will go through the automatic enrolment process in the coming months. For many of those companies that have staged, they are larger employers and they will have dedicated in-house payroll. The firms that are now going through or are about to go through the process are too small to have such a function. Ultimately, these firms rely on the payroll bureaus, bookkeepers, and accountants to deal with this part of their business. The experience of payroll providers is, therefore, reflective of a much broader range of experience concerning the automatic enrolment process, the time it takes to do the associated tasks, the costs of implementation and ongoing processes, and where there are improvements and risks in the system.

The key finding of this research is that the automatic enrolment process is much quicker and less burdensome than previous research suggests. The payroll industry has stepped into the market reducing the burden on employers, and is now embracing the business opportunities to offer a wider range of services. There remain issues regarding labour intensive processes and a need for increased automation to manage risk and create further efficiencies. That said, systems,

knowledge, processes, and engagement are all improving, and so the payroll industry is making automatic enrolment work for employers and for their own businesses too. In looking forward 5 years, although the process has been challenging and difficulties remain, pension saving through automatic enrolment will be a straightforward payroll practice in the same way as PAYE is dealt with today.

The Automatic Enrolment Experience

The aim of this report is to understand and communicate the payroll perspective of automatic enrolment. Underpinning this motivation is the need to analyse the payroll bureau experience, as this is where the crunch comes in 2016. Further, payroll bureaus are dealing with hundreds of employers and not just one or two. As a result, the payroll perspective gives a much broader picture of the state of the market and the actual burden on small business.

In looking at the payroll bureau survey responses, this assertion has been borne out. On average, each bureau has 227 clients, giving the experience of over 3400 companies, with approximately 179,000 employees. Many of these companies have yet to go through the automatic enrolment process. However, the average payroll bureau in the sample has enrolled 53 clients, resulting in the collective experience of taking almost 800 firms of different shapes and sizes through the automatic enrolment process. As well as this collective experience, the payroll bureaus in our sample offer automatic enrolment services to the majority of their clients. Automatic enrolment in this sense has been double-edged. As the SME market has moved towards staging and compliance, then small business owners are passing automatic enrolment to their payroll provider as it is seen as a simple payroll task, but this has created new opportunities too and many payroll bureaus now have a client offering to support the process.

Despite where the market stands today, this has been a very painful process for bureaus. One of the most common responses from interviewees is that payroll has borne a disproportionate burden. As one respondent noted, *"Payroll bureaus have got it in the neck"*. That said, the pain of this process as employers pass much of the automatic enrolment burden to their payroll provider has actually generated opportunities in the market and resulted in a much more streamlined processes as payroll bureaus have had to step into the breach or face losing clients.

Automatic enrolment advice

As well as receiving responses from bureaux, the survey was also open to a range of other actors in the automatic enrolment market including, accountants, benefit consultants, financial advisors, and pension providers. As with the payroll bureaux, the combined experience of these market participants is significant. On average, these respondents have 190 clients that they are advising covering over 500,000 employees, with an average of 81 clients having been taken through the automatic enrolment process, and 46 currently going through the process.

The first part of the analysis was to understand employer knowledge and understanding the market for auto enrolment advice.

**Table 1: Employer knowledge, understanding, and engagement
(1= Very low and 5=Very High)**

What level of awareness of AE does your average client have?	2.53
What level of knowledge of AE does your average client have?	1.62
How complex does a client find the AE process once they have started it?	3.88
What level of engagement with AE does the average client have once they have started AE	2.56

The first result is there is a low level of knowledge in the system. As Table 1 shows there is not a good level of public awareness of automatic enrolment in firms (2.53). The low level of awareness reported is consistent with the view, that while The Pensions Regulator sends out the information to employers, the first letter is ignored and employers only start to engage when they are receiving reminders. It is at this point they talk to their accountant or payroll bureau. Second, given the low level of awareness, it is unsurprising that there is a significantly lower level of knowledge about automatic enrolment on the part of employers (1.62). The low level of knowledge is concerning, but not unexpected, as many of the firms that payroll bureaux deal with do not have experience of providing workplace pensions for their employees.

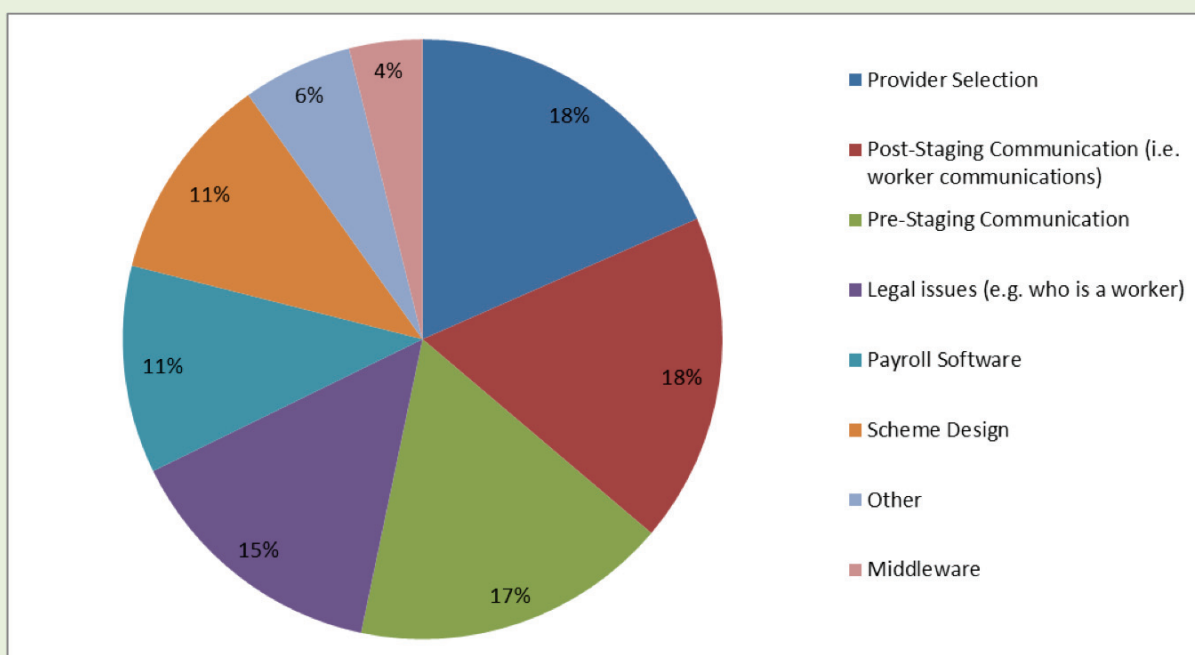
In addition to knowledge and understanding, Table 1 also looks at engagement and complexity. It is clear that employers find the process complicated (3.88) and that even once they are in the process of staging, there is not a huge amount of

engagement (2.56). This result is borne out by the interviews too and is ultimately summed up by the comment,

“As an employer I am passionate about my business, I am not passionate about payroll and pensions”

In examining where employers need advice, from Figure 1 below, it is clear that scheme selection, pre and post staging communications, legal issues, scheme design, and payroll software, were all key issues for employers. Taking into consideration, that many employers have not been engaged in work place pensions, and the complexity of the auto enrolment process, to see such a broad selection of issues is unsurprising. Moreover, this is consistent with the evidence in Table 1 that shows low levels of knowledge, engagement, and awareness on the part of employers.

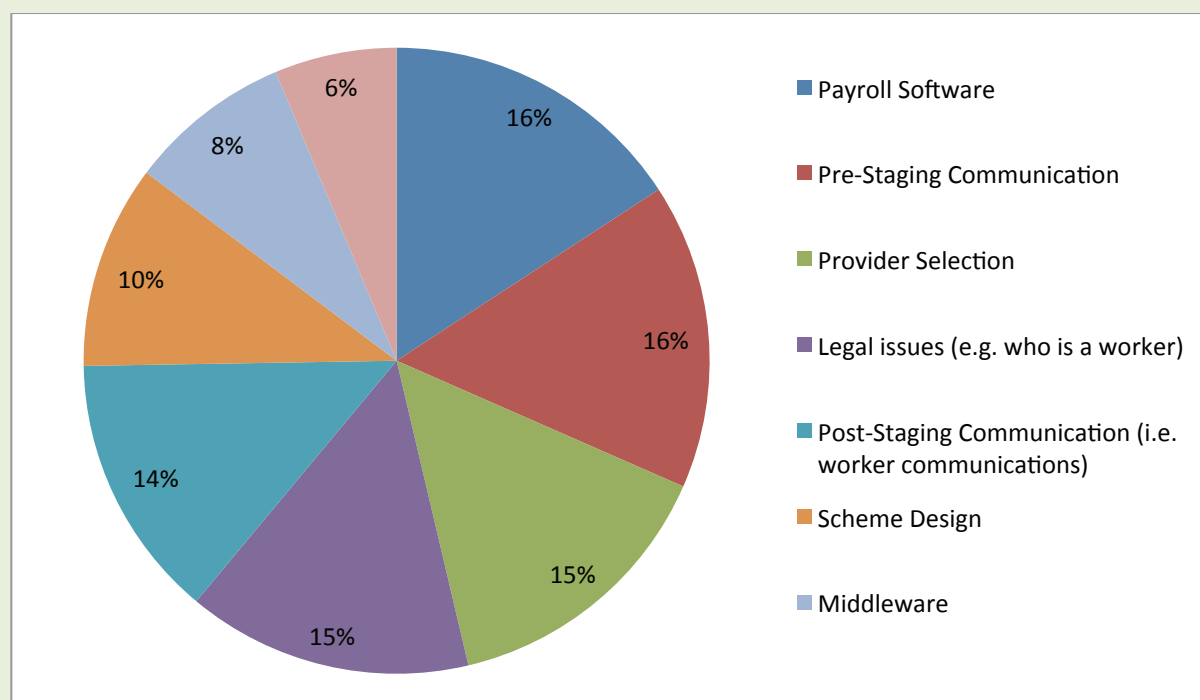
Figure 1: What areas have your clients asked you for advice on?



As well as seeking to understand what advice was being sought, respondents were also queried on where they had required training and advice before they were in a position to advise clients. From Figure 2 below, there are broad similarities with the advice that employers were seeking. Although advice on payroll software and legal issues rank a little higher, the broad conclusion that can be drawn is that bureaus and advisers had to educate themselves across a range of areas before they could advise clients. While, this is to be expected given automatic enrolment was a new process, the fact that the coverage across these key areas was so evenly balanced, is

an indication of the complexity of the system that was being put in place. Unlike many employers, payroll bureaus and advisers have been engaged with pensions, and despite this, they required advice across almost every facet of the auto enrolment process.

Figure 2: What areas have you needed third party advice/guidance/training on before you could advise your clients?

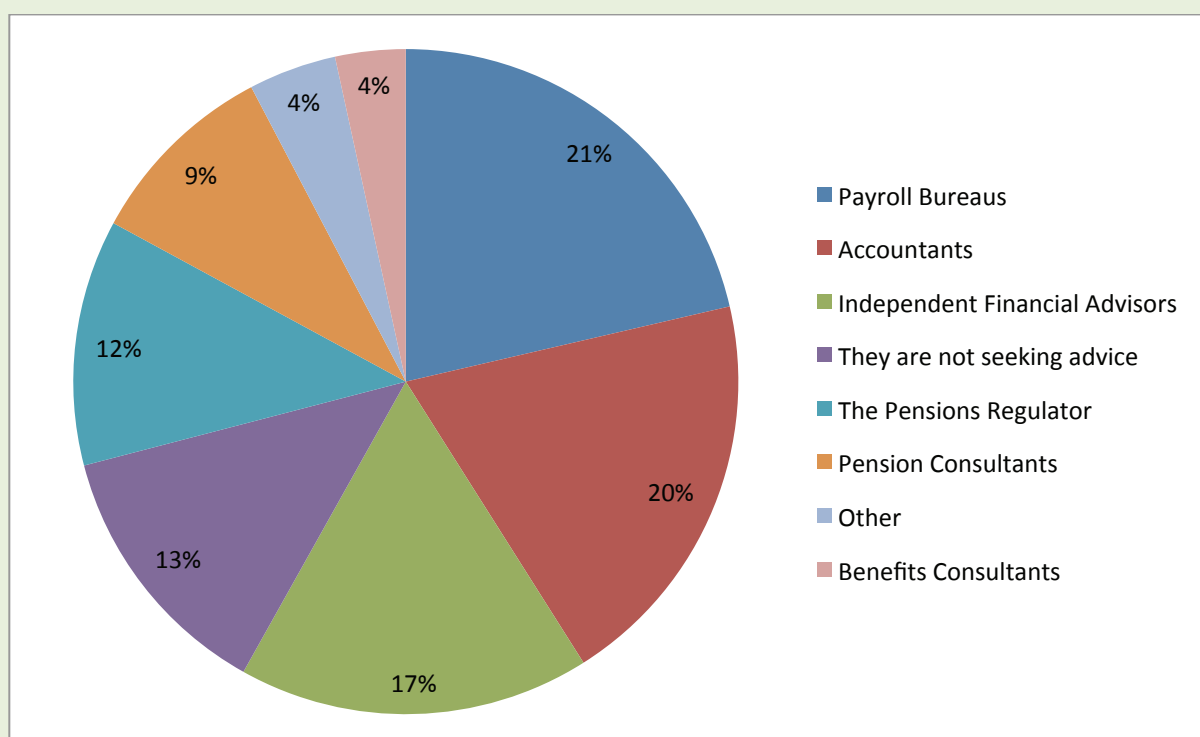


The next area to be considered is the cost of advice. Given there is a demand for advice, it creates two interesting questions. First, how much are people charging for advice, and second, how much are employers willing to pay for advice.

On average, auto enrolment advice is costing approximately £1420. About 1/3 of respondents, however, put the cost of advice as falling in between £1000 and £5000. In looking at what employers are willing to pay, however, it is almost the reverse, with the average client being willing to pay £520, but 1/3 of respondents saying employers were willing to pay less than £100, and another 1/3 stating employers would pay between £251 and £500. There is, therefore, a significant difference between the price of advice and the price that employers are willing to pay. Moreover, based on the experience of respondents, the average cost for a firm to comply with automatic enrolment is approximately £1010, with 66% of those who responded saying the cost was less than £1000.

As well as looking at the areas where employers seek advice, it is important to understand who they are approaching for advice. As Figure 3 shows, payroll bureaus and accountants are one of the major points of contact for firms, followed by Independent Financial Advisors and The Pensions Regulator. One number that is concerning, is the fact that there is a sense that many firms are not seeking advice. However, that is not to say they are not getting advice. From the interviews conducted around this survey, it is common practice for payroll professionals to push their clients through the process and initiate the initial conversation around automatic enrolment and employer duties.

Figure 3: From your experience, who are your clients seeking advice on AE from?



As a result of the increased burden being placed on payroll bureaus and accountants, there is a commercial dilemma faced by these firms. Payroll as a business and is done on very tight profit margins. Consequently, bureaus and accountants are faced with higher costs, and given the complexity of automatic enrolment these can be significant. The dilemma is, therefore, can these costs be passed onto employers, who are used to payroll being a low cost part of their ongoing business expense.

The first key result is that 88% of respondents charged for either all or part of their automatic enrolment services, and 77% of those respondents do so as they are offering additional services for automatic enrolment. These are two crucial statistics.

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First, employers can be charged more, and in most cases, this is because there is an explicit additional service. Second, employers must be willing to pay if there is such a high response rate. The payroll bureau and advisory community that are in the automatic enrolment market, therefore, are generating business opportunities out of automatic enrolment.

In terms of the increased cost, there was an almost equal split between those who have taken on additional employees and those who have not. For those who have, they have, on average, taken on 2 new full-time employees. This is a significant increase in cost for those who have and so it is consistent with increased cost being passed to employers who are using these automatic enrolment services.

As well as looking at costs in terms of additional staff, it is important to understand the impact that automatic enrolment has had on payroll costs. On average, payroll costs have increased by approximately 30%. This number, while high, is lower than the cost increases seen in some countries around the world where systems of automatic enrolment have been implemented.²

² For example, in New Zealand, the payroll costs for the implementation of the KiwiSaver were estimated to be 40-50%. Source: SME tax compliance costs 2009: KiwiSaver compliance costs, Inland Revenue of New Zealand.

Understanding the time costs of automatic enrolment

The next part of the report looks at the sources of increased time associated with automatic enrolment both from the payroll side and from the employer side, and in particular, the time associated both with taking an Employer to their Staging Date and then beyond to the on-going recurring administration tasks.

**Table 2: Where has the increase in payroll costs occurred?
(8=Highest Burden and 1=lowest burden)**

	Mean	Median	Min	Max
Manual data processing (i.e. data to pension or middleware)	5.97	6.00	1.00	8.00
Scheme set up	5.12	6.00	1.00	8.00
Client communication (i.e. pre-staging)	4.56	4.50	1.00	8.00
Staff communication (i.e. pre- and post-staging)	4.44	4.00	1.00	8.00
Opt-ins and opt-outs	4.26	4.00	1.00	7.00
Enrolments and re-enrolments	4.15	4.00	1.00	7.00
Provider selection	3.85	4.00	1.00	8.00
Refunds	3.65	3.00	1.00	8.00

From Table 2, it is clear that the biggest increase in time costs are around manual data processing. While the averages and medians are high for every category, more respondents selected manual processes as the area where the biggest increase in time costs has occurred. Again, this is not surprising given the array of different forms that the data required by pension providers takes. This lack of uniformity has resulted in a decrease in automation in an industry that was highly automated and efficient.

Table 3 (page 14) examines the time it takes the average firm to go through the tasks associated with staging. This list of tasks is the same list used by the CEBR in their 2013 report on automatic enrolment. In using the same categorizations, we arrive at a number that can be used as a comparator to the 2013 numbers, which may not be reflective of the current state of play in the automatic enrolment market.

Table 3: For clients you have staged, please estimate the average time to complete each AE procedure for each cohort of employers.

Auto enrolment procedure	Less than 50	More than 50
	employees	employees
	<i>Time in 8hr days</i>	
Know your staging date and auto enrolment process	0.92	1.07
Nominate a point of contact	0.30	0.27
Develop a pension plan	1.44	2.10
Construct the designated communications	1.00	1.35
Liaise with payroll provider	1.14	1.60
Put in place adequate business processes	3.67	3.39
Choosing a pension scheme for auto enrolment funds	1.31	2.52
Set-up pension scheme / liaise with pension provider	1.11	1.86
Classify workers into categories	0.69	1.04
Auto enrol eligible employees	1.08	1.65
Addressing staff queries about auto enrolment	2.45	2.28
Complete the Statement of Compliance with TPR	0.56	0.57
Keeping auditable records	0.84	0.84
Keeping up with new auto enrolment rules	1.03	1.08
	17.54	21.62

There are two reasons why the CEBR numbers are no longer relevant. First, the payroll industry and any number of other actors in the market are now generating huge economies of scale because of specialisation and repeated processes and experience. Second, technological advancements and improvements in systems will also have had an effect on the time burden taken to complete certain tasks.

Table 3 shows that this logic holds and the time it is taking firms to comply with automatic enrolment has fallen dramatically.

The CEBR reports that the time associated with automatic enrolment compliance was as much as 103 days. However, from the Table above it is clear that this number has fallen dramatically and for those firms who are part of the capacity crunch, this takes just 17.5 days. While this is still a considerable amount of time, it is clear that the picture for these firms is very different, and this is driven by both technological change, as systems are better, and the fact that the payroll industry and those in the market place have developed huge specialization. As a result, the burden that UK companies were under has been dramatically reduced. Moreover, these numbers suggest that while there may be a capacity crunch next year, the severity of it may not be as bad.

Consistent with the 2013 CEBR numbers, however, is the time taken on ongoing administration. From Table 4 (below), it can be seen that this takes between 3 and 4.5 days. Consequently, once a scheme is set up and processes are in place, then the ongoing tasks remain largely unchanged as the efficiency gains have all been around the initial process around staging. That said, many of the 'on-going' tasks are actually 'ad hoc' and will not be carried out regularly. The numbers in Table 4, therefore, somewhat overstate the typical experience of the average employer with respect to ongoing administration. For example, The Pensions Regulator estimates that opt-ins occur in only 0.1% of cases and opt-outs occur in only 10% of cases.³ As a result, if opt-outs do not occur, then this is not going to be a recurring task and as a result, refunds will not be taking place. If the numbers for the on-going tasks are adjusted for what could be assumed is a 'normal' month where it is business as usual, then the picture for ongoing tasks improves considerably. Given, the only task that will occur in every month is the uploading of data, the monthly burden is much lower at an average of just over 4.5 hours. Moreover, it is worth noting that less than 20% of respondents thought that the process took longer, and 40% thought that the time taken to go through the process had decreased.

Table 4: For clients you have staged, please estimate the average time to complete each of the following on-going AE procedures

Monthly Task	Less than 50	More than 50
	employees	employees
	Time in 8hr days	
Processing new employees who are required, or who wish, to join the scheme	0.69	1.47
Managing the regular upload of contribution/payroll data to a Pension Provider	0.58	0.55
Processing refunds from the pension provider	0.38	0.43
Processing employees who have opted-out of the scheme	0.34	0.44
Processing employees who have opted-in to the scheme	0.32	0.45
Processing employees who leave the scheme because they have left the company	0.34	0.43
Informing a pension provider about why contributions for an employee are not as high as they expect	0.34	0.46
	2.98	4.24

³ We have used the estimates of 10% for opt-outs and 0.1% for opt-ins based on discussions with various parties involved in automatic enrolment. The 10% number is also very close to the rate of 12% presented in *Automatic enrolment opt out rates: Findings from qualitative research with employers staging in 2014*, with anecdotal evidence suggesting that these rates are falling as small firms stage.

Risks in the system and looking forward

As well as trying to understand the current state of the market, we also examined where there are perceived to be risks in the system. From Table 2 (page 13), manual data entry was cited as the biggest drivers of increases in the time and costs associated with automatic enrolment. When asked about where payroll bureaus, accountants, and so on, see the biggest risks in the system, it is also manual data entry. As Table 5 shows, manual data entry is ranked considerably higher than any other risk, and this is closely followed by non-standard data entry. As noted above, payroll had been a highly automated industry and the move back to manual processes is both burdensome and risky.

Table 5: Rank each of the factors below with respect to the risk they pose to the success of automatic enrolment (1=low and 5=high)

	Mean
Manual data entry	4.40
Non-standard data entry	4.13
Ongoing administration	3.58
Multiple enrolments	3.53
Opt-ins and opt-outs	3.35
File transfer	3.20
Increasing thresholds	3.15
Increasing contributions	3.03

As well as looking at the risks around manual data entry, one interesting fact that emerged was the range of experiences around file transfer. From Table 6 (page 17), only 5% of respondents were happy with data transfer to pension providers. Implicitly, this means 95% of respondents are not happy with file transfer. Although, this is not the biggest risk to payroll, it is a serious concern from a macro perspective with regards to the capacity in the market to deal with all of the firms that will be involved in automatic enrolment from 2016 onwards.

Table 6: Thinking about the transfer of data from your Payroll system to the Pension Provider, which of these statements accurately describes your experience?

The first time it was difficult because I had to learn how to work with the pension providers' systems	21.10%
It's more difficult to upload data to some providers than others. Not all providers are the same	19.27%
I have been able to handle the uploading of data to a pension provider for a couple of clients, but I'm very concerned about how much work this will be once all my clients have staged.	15.60%
It's not just about the uploading of data to a provider. I also have to process data coming back from the pension provider about opt-outs and refunds.	14.68%
The process of transferring data to a provider is painful and I think it could be automated which would make my life easier	13.76%
Every time I upload data to a pension provider it never works perfectly. There's always some glitch, which stops it from working perfectly.	10.09%
The process of transferring data to a provider is ok and manageable. I'm happy with how it works.	4.59%
It's not something that concerns me because my payroll software automatically manages the transfer of data to and from the pension provider, meaning I have nothing to do	0.92%

In analysing the potential value of automation, it is clear that there is both a need and a demand for automation. When asked to rank how important better systems and processes were to reduce the risks that are seen in the system, respondents ranked automation 4.63 out of 5. Moreover, almost 65% of those who ranked automation as 3 or above said that they would be willing to pay for increased automation, although there was no particular preferred method of charging for this service.

Automatic enrolment has increased the costs of payroll significantly, and a significant driver of this is the move back to manual data processing. Moreover, it is seen as the biggest risk in the system. Automation, therefore, has to be part of the solution for ensuring the success of automatic enrolment, and there is a demand in the market for it.

The final part of the forward-looking analysis we undertook was to consider re-enrolments, as next year is the first tranche of re-enrolments. From Table 7, it is clear that respondents feel there is a low level of awareness about re-enrolments and there are also a low level of awareness of the complexity around re-enrolling employees into a different scheme.

Table 7: The challenges of re-enrolment and scheme choice (1=low and 5=high)

In your experience, do you think there is an awareness of the complexity re-enrolling into the same scheme	2.15
In your experience, do you think there is an awareness of the complexity re-enrolling into a different scheme	2.21
In your experience, on average, how difficult do employers find scheme selection?	3.38

Given these two results, this low level of knowledge about re-enrolments whether into the same scheme or a different scheme is a major concern, as employers clearly find scheme selection difficult. This result is not a surprise given the number of different options that are available for employers from which to choose. Going forward, ensuring employers are better equipped to make choices regarding scheme selection is also key to ensuring the success of auto enrolment.

Summary

The decline of defined benefit pensions and the rise of defined contribution pensions have resulted in falling savings rates across the economy and particularly in the private sector. As well as this fall in private savings, for many individuals, saving for retirement is something they have simply never done. Automatic enrolment is therefore one of the most significant shifts in policy to foster near universal retirement saving to ensure individuals move closer to having adequate incomes in retirement.

While the goals of the policy and the benefits therein are clear, the policy never had any real thought to implementation. The compelling of employers to enrol workers into a pension has been overly complex and this has been exacerbated by a lack of engagement by employers, employees, pension providers, and many other parties involved in automatic enrolment.

As 2016 approaches, when over 1.3 million businesses have to go through the process, there are a large number of concerns regarding the capacity of the market to cope. Previous research has shown the burden of automatic enrolment to be significant.

As we move down the different tranches of firms and move from large companies with 'in-house' payroll to small firms that rely on bureaus and accountants, our report suggests that the process for staging is nowhere as burdensome as prior numbers implied. The CEBR estimated this to be up to 103 days. Our results suggest that this process now only takes 20 days on average. This significant improvement is due to payroll bureaus being pushed into the auto enrolment environment. Many employers have pushed automatic enrolment onto their accountants, bookkeepers and payroll bureaus and as a result, these groups have amassed significant specialisation and knowledge of this process.

Consistent with prior research we find that post-staging tasks have remained the same with average time taken to undertake ongoing administration being between 3 and 4 days per month. However, this view of 'on-going' tasks overestimates the time taken to do ongoing administration. Many of these tasks are ad hoc, and so the actual time taken to do ongoing tasks is only 4.5 hours, as the only task that has to be undertaken every month is data transfer to pension providers.

One consequence of factors such as having to undertake manual data transfer is that payroll costs have, on average, increased by 30%. There is, however, a demand for greater automation, as the move back to manual has not only increased costs, but it has also increased risks, as manual data entry across a large volume of firms with different pension provider data specifications is likely to lead to error and hamper the success of automatic enrolment.

While these risks and costs are a serious concern regarding the future of automatic enrolment, automatic enrolment is becoming an efficient process because of the considerable efforts of the payroll industry. The industry may have been forced to engage with this process but payroll has made automatic enrolment work into part of a broader commercial offering and SMEs are benefiting from the industry's specialization and expertise.

Acknowledgements

We would like to thank Dr, Alan Duboisee De Ricquebourg for his invaluable research assistance and contribution to this project. We would also like to thank Andy Agathangelou and the CIPP's Friends of AE, Vickie Moss at the CIPP, Neil Esslemont from The Pensions Regulator and participants at the September 2015 Capacity Crunch Conference, and all those who willingly gave up their time to discuss their experiences and views on the current state of the AE market. These discussions and comments were very useful, informative and helped shape the final report.

Survey data set

The survey data for this report was collected via an online survey, which ran from July to mid-August 2015. We received 40 completed responses, the majority of whom were payroll bureaus, accountants, bookkeepers (22), 5 responses from independent financial advisors who have a significant automatic enrolment offering, 3 benefit consultants, 2 pension providers, 1 payroll software provider, and one 'other'. We received 6 responses from 'in-house' payroll. The experience of these payroll bureaus, accountants and bookkeepers covers 179,000 employees with the average payroll bureau in the sample having enrolled 53 clients.

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